

# Senate Study Bill 1196 - Introduced

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON DAWSON)

## A BILL FOR

1 An Act relating to investment tax credits and innovation fund  
2 tax credits, and including effective date and applicability  
3 provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15.119, subsection 2, paragraph d, Code  
2 2021, is amended to read as follows:

3 d. (1) The tax credits for investments in qualifying  
4 businesses issued pursuant to section 15E.43 and for equity  
5 investments in an innovation fund pursuant to section 15E.52.  
6 In allocating tax credits pursuant to this subsection, the  
7 authority shall allocate ~~two~~ an aggregate of ten million  
8 dollars for purposes of this ~~paragraph~~ subparagraph, unless the  
9 authority determines that the tax credits awarded will be less  
10 than that amount.

11 (2) On or before June 30 of each fiscal year the authority  
12 shall determine the amount of tax credits to be allocated  
13 for the next fiscal year beginning July 1 to investments  
14 in qualifying businesses and to equity investments in an  
15 innovation fund under subparagraph (1). Any tax credits  
16 allocated for purposes of subparagraph (1) and not awarded  
17 in that fiscal year shall be reallocated to a purpose under  
18 subparagraph (1) for the next fiscal year and shall not be  
19 counted against the aggregate maximum of ten million dollars.

20 Sec. 2. Section 15.119, subsection 2, paragraph e, Code  
21 2021, is amended by striking the paragraph.

22 Sec. 3. Section 15E.43, subsection 2, paragraphs b and c,  
23 Code 2021, are amended to read as follows:

24 b. The maximum amount of a tax credit that may be issued  
25 per ~~calendar~~ fiscal year to a natural person and the person's  
26 spouse or dependent shall not exceed one hundred thousand  
27 dollars combined. For purposes of this paragraph, a tax  
28 credit issued to a partnership, limited liability company, S  
29 corporation, estate, or trust electing to have income taxed  
30 directly to the individual shall be deemed to be issued to  
31 the individual owners based upon the pro rata share of the  
32 individual's earnings from the entity. For purposes of this  
33 paragraph, "*dependent*" has the same meaning as provided by the  
34 Internal Revenue Code.

35 c. The maximum amount of tax credits that may be issued

1 per ~~calendar~~ fiscal year for equity investments in any one  
2 qualifying business shall not exceed five hundred thousand  
3 dollars.

4 Sec. 4. EFFECTIVE DATE. This Act, being deemed of immediate  
5 importance, takes effect upon enactment.

6 Sec. 5. APPLICABILITY. The following applies to tax credits  
7 allocated on or after the fiscal year beginning July 1, 2021,  
8 and for each fiscal year thereafter:

9 The section of this Act amending section 15.119, subsection  
10 2, paragraph "d".

11 EXPLANATION

12 The inclusion of this explanation does not constitute agreement with  
13 the explanation's substance by the members of the general assembly.

14 This bill relates to investment tax credits and innovation  
15 fund tax credits.

16 Under current law the economic development authority  
17 (authority) must allocate \$2 million to investments in  
18 qualifying businesses and \$8 million to equity investments  
19 in innovation funds (equity investments). The bill limits  
20 the authority's tax credit allocations for investments in  
21 qualifying businesses and equity investments to a maximum  
22 aggregate of \$10 million. The bill requires the authority  
23 to determine on or before June 30 of each fiscal year the  
24 amount of tax credits to be allocated to each. In addition,  
25 any amount of tax credits allocated and not awarded in that  
26 fiscal year must be reallocated to either investments in  
27 qualifying businesses or to equity investments for the next  
28 fiscal year, and those tax credits do not count towards the  
29 maximum aggregate of \$10 million. This applies to tax credits  
30 allocated on or after the fiscal year beginning July 1, 2021,  
31 and for each fiscal year thereafter.

32 The bill modifies the maximum amount of an investment tax  
33 credit that may be issued to a natural person and the person's  
34 spouse or dependent from a calendar year basis to a fiscal year  
35 basis. The maximum amount of tax credits that may be issued

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1 for equity investments in any one qualifying business is also  
2 modified from a calendar year to a fiscal year.

3 The bill is effective upon enactment.